



# SPAFID CONNECT

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Oggetto : Poste Italiane: BoD approves the results as  
of June 30, 2017

*Testo del comunicato*

Vedi allegato.

## POSTE ITALIANE: BOARD OF DIRECTORS APPROVES THE RESULTS FOR FIRST HALF 2017

**WITH GROWING REVENUES AND OPERATING PROFIT TOTAL ASSETS UNDER MANAGEMENT/ADMINISTRATION INCREASING BY 1.4%, REACHING THE REMARKABLE TARGET IN TOTAL ASSETS OF HALF-A-TRILLION EUROS**

- Total consolidated revenue: € 18 billion, +2.0% (€ 17.7 billion at 30.6.2016)
- Consolidated operating profit: € 847 million, +0.5% (€ 843 million at 30.6.2016)
- Consolidated net profit: € 510 million, -9.7% (€ 565 million at 30.6.2016)
- Client assets under management/administration: € 500 billion, +1% (€ 493 billion at 31.12.2016)
- Net industrial financial position: € 54 million surplus (€ 893 million surplus at 31.12.2016)

Rome, 2 August 2017 – The Board of Directors of Poste Italiane S.p.A. (“Poste Italiane”), chaired by Maria Bianca Farina, reviewed and approved today the First Half Financial Report as of 30 June 2017, drawn up in compliance with the measurement, recognition and classification criteria laid down by international accounting standards (IAS/IFRS).

### Consolidated economic and financial highlights (EUR/million):

	First Half 2017	First Half 2016	Change
Total revenue	18,029	17,682	+2.0%
Operating profit	847	843	+0.5%
Net profit	510	565	-9.7%
	30.6.2017	31.12.2016	
Client assets under management/administration	500,156	493,347	+1.4%
Net industrial financial position	54	893	n.m.

Matteo Del Fante, Chief Executive Officer and General Manager, commented on the results as follows:

“[The results approved today are showing a growth both in revenues and operating profit, highlighting an acceleration compared to the first quarter of the year. In particular during the second quarter, the Group recorded an important 7% growth in sales that has more than compensated the decline in the previous quarter. At an operational level the result is

substantially in line with the first half of 2016; however please bear in mind that in the first half of 2016 benefitted from a one-off capital gain related to the Visa Europe disposal. Furthermore please note that in the first half of the year the Group has recorded some write-offs; net of these one-off effects operating profit would have been equal to €912m, recording a 26% increase when compared to the previous period the year before.

Let me also highlight at the end of the first half of the year that the Group has reached the remarkable target of over €500 billion assets under management/administration. From the beginning of my mandate, the two principal areas of my attention have been: the implementation of the new management and a focus on drafting strategies to deliver value growth for our stakeholders. The team is now fully in place and working on a new strategic plan which we aim to present to the market at the beginning of 2018.

These new targets will contribute in strengthening the Group's cash generation in support of our 2017 dividend policy, which we confirm to be in line with the last two years”].”

”

\* \* \*

In addition to the standard financial indicators required by IFRS, Poste Italiane also utilises a number of alternative performance indicators, with a view to providing a clearer assessment of the business performance and financial position. The meaning and makeup of such indicators are described in the annex, in line with the ESMA/2015/1415 Guidelines of 5 October 2015.

\* \* \*

In the first half of 2017, the Group's **total revenue**, inclusive of insurance premiums, registered a 2% growth compared with the same period of the previous year, rising to € 18 billion. The Insurance Services and Asset Management segment, in a market that has seen a sharp contraction in insurance premiums, contributed € 13.3 billion of total revenues, an increase of 3.3%. Financial Services results were stable, recording revenues of € 2.8 billion (+0.4%) while Postal and Business Services revenues fell to € 1,812 million (-3.8%), impacted by the steady fall in volumes. Revenues for the Express Delivery, Logistics and Parcels segment grew to € 342 million, up 8.9% compared with the same period of the previous year.

**Operating profit** for the first half of the year, of € 847 million, is substantially in line with that of the first half of 2016 (€ 843 million). The smaller contribution from Financial Services and the relatively stable result in Postal and Business Services were offset by the positive contribution from the Insurance Services and Asset Management segment.

**Net profits**, of € 510 million, fell from the € 565 million in the same period of the previous year, due to the higher financial charges linked to the write-down, for € 82 million before tax, of the Contingent Convertible Notes subscribed by Poste Italiane in December 2014 and issued by Midco SpA, the company which holds 51% of Alitalia SAI SpA.

The **group net financial position** presents a surplus of € 4.3 billion compared with € 6.2 billion at 31 December 2016. The variation in the six months reflects, among other things,

the contraction of the fair value reserve of the available-for-sale financial instruments by € 1.2 billion, payment of € 222 million for the stake in FSIA Investimenti Srl and the distribution of dividends for € 509 million. Cash generated by non-financial operations was € 480 million.

The **net industrial financial position** shows a surplus of € 54 million.

**Capital expenditure** for the period, before disposals, comes to € 182 million and is primarily related to the digitalisation of telecommunication networks and to property renovation and restructuring.

During the first six months of 2017, the **client assets under management/administration** rose to € 500 billion, up 1.4% from € 493 billion at 31 December 2016. This was attributable mainly to growth in BancoPosta direct deposits to current accounts (+5 € billion) and in the technical provisions of the Life insurance segment.

As regards the **distribution networks**, the process of modernisation and digitalisation of post offices continued in H1 2017 with the roll-out of wi-fi connectivity in 3,926 post offices from the start of the project as well as the installation of a “new queue management” system, now present in 2,414 offices. These initiatives continue to further improve the quality of customer services, including the opening of 27 multilingual offices across the country (4 of which in 2017) to simplify access to the Group’s services for “new Italians”.

Information on the main operating segments is reported below.

## **FINANCIAL SERVICES**

- **Market revenues of € 2.8 billion, up 0.4%**
- **Operating profit down -19.6% to € 390 million**
- **BancoPosta’s average deposits total € 55 billion, up 10% on 31.12.2016**
- **4 million PostePay Evolution cards active at 30 June 2017**

**Total revenues** of € 3.1 billion are in line with the first six months of the previous year. Income from active management of the BancoPosta securities portfolio, the positive contribution of the PostePay and PostePay Evolution Cards and the placement of investment products have more than offset the negative variation due to non-recurring gain of € 121 million in the first half of 2016 for sale of the stake in Visa Europe Ltd., and the lower interest earned on current account deposits (in line with the market).

The **operating profit** of € 390 million, after provisions for risks and charges of around € 100 million due mainly to operational risks related to real estate funds distributed in the early 2000’s, fell by -19.6% compared to the same period of the previous year (€ 485 million), when the division registered a €121m capital gains generated from the disposal of the stake in Visa Europe .

BancoPosta’s average current account deposits (including long-term repos) amount to € 55 billion, up 10% from € 50 billion at 31 December 2016.

The number of PostePay Evolution cards – the personal rechargeable prepaid card with IBAN code – issued since the product was first launched (July 2014) has exceeded 4.3 million, with around 800,000 cards issued in the first half of 2017.

Poste Italiane, through BancoPosta, has continued to strengthen its services for Italian households by expanding the range of consumer loans and mortgages, with different solutions in terms of length, amount and repayment flexibility. Commercial initiatives continued over first half 2017 designed to valorise the Postal Savings offering and consolidate Digital Banking activities, as well as reinforce our position in the Transaction Banking segment. In this area in May we began commercialisation of the new Conto BancoPosta which allows account holders to use all services on multichannel platforms.

The leverage ratio as of 30 June 2017 stands at around 3.1% (3% the regulatory minimum). The CET1 ratio at the same date is 16.9% (16% in the first half and at the end of FY 2016).

### **INSURANCE SERVICES AND ASSET MANAGEMENT**

- **Insurance and asset management revenues up 3.3% to € 13.3 billion**
- **Operating profit of € 370 million, up 37%**

**Total revenues**, inclusive of other income from insurance operations, come to € 13.3 billion, up 3.3% compared with the same period of the previous year (€ 12.9 billion), mainly due to the positive performance of insurance premiums and net inflows from mutual funds (fees +60.7% compared with the same period of the previous year). More specifically, Poste Vita, the leading Italian insurance provider with technical provisions amounting to € 118 billion (€ 114 billion at the end of December 2016) received premiums for € 11 billion, posting a growth of 5.1% compared with the first half 2016, notwithstanding the fall of 11.6% in new production by the Italian insurance market in first half of 2017 (ANIA figures).

**Operating profit** is € 370 million, up 37% compared with the same period of the previous year (€ 270 million), thanks to the increase in assets under management (mutual funds and technical provisions).

### **POSTAL AND BUSINESS SERVICES**

- **Market revenues of € 1.8 billion, down -3.8% (€ 1.9 million)**

**Total revenues** amount to € 4.27 billion (inclusive of € 2.5 billion in captive revenue, mainly due to distribution services), down -1.4% compared with the same period of 2016 (€ 4.32 billion). The fall in market revenues from mail volumes (-6.7% compared with the first half of 2016), is linked to the expected drop in the volume of postal products (-9.6%), though smaller than the 2016 trend compared with the same period of 2015 (-10.3%).

Combating the slide in revenues, besides the new tariffs and the development of the parcels segment, are the measures taken to improve the quality of traditional postal services and the efficiency of the related operating processes.

The parcel segment posted a 19.6% growth compared to the same period of 2016, with a total number of 55 million parcels handled in the first half of 2017, also due to the developing growth of e-commerce in Italy.

**Operating profit** amounts to € 75 million (€ 74 million in the first six months of 2016). The trend in revenues was offset by a similar reduction in costs, primarily thanks to the lower labour costs due to efficiency measures on the workforce.

## **RECENT EVENTS AND BUSINESS OUTLOOK**

### **Key events during the period**

On 8 February 2017 Poste Italiane entered into an agreement to transfer to Invitalia - the national agency for the attraction of investment and business development - the entire equity package of Banca del Mezzogiorno-MedioCredito Centrale (BdM-MCC) for a total value of € 390 million. The operation was authorised in June 2017 by the Ministry of Economic Development and the European Central Bank and, on 19 July 2017, by the Bank of Italy which set out the supervisory requirements for approval which must be met before the operation can be finalised. In accordance with the share trading agreement, the parties will work to fulfil the requirements preliminary to finalisation of the transaction, taking all reasonable steps to close the deal as quickly as possible. To this end, on 26 July 2017, the bank's Extraordinary Shareholders' Meeting voted, subject to authorisation by the Supervisory Authority pursuant to article 56 of the Consolidated Banking Law, a € 160 million reduction in share capital, to be paid once the deal is completed to Poste Italiane as part of the sale price.

On 15 February 2017 Poste Italiane SpA finalised the acquisition from FSI Investimenti SpA (controlled by CDP Equity SpA through a 77% stake) of a 30% share of FSIA Investimenti Srl, which holds 49.5% of SIA SpA, business leader in e-payments, payments and online services. Following the transaction, Poste Italiane indirectly holds a 14.85% share in the capital of SIA. On completion of the deal, Poste paid 80% of the acquisition price – expected to come to € 278 million. The final price could be subject to adjustments either upwards or downwards, depending on the values established for SIA's net financial position at 31 December 2016 and its business results for financial year 2017. With the closure of the deal, the shareholder agreement between Poste Italiane and CDP Equity takes effect concerning the governance and ownership structure of FSIA and SIA over which the parties exercise joint control.

On 1 April 2017 the partial spin-off from Postecom SpA in favour of Postel SpA of the business unit responsible for activities relating to Postecom's shareholdings in PatentiViaPoste ScpA and Consorzio Poste Motori took legal, accounting and tax effect, as did the merger by incorporation of what remains of the Company in Poste Italiane.

Regarding Poste Italiane's financial investments, the Company continued to monitor, as foreseen by the prevailing contractual arrangements, the information made available by MidCo SpA - which controls 51% of Alitalia SAI - of which on 23 December 2014 Poste Italiane subscribed Contingent Convertible Notes for an original value of € 75 million with a 20-year duration. The investment does not give Poste Italiane any interest in the management of the issuer. On 2 May 2017, the Alitalia SAI Shareholders' Meeting acknowledged the outcome of the referendum of the employees, which failed to back the shareholders' offer to finance the new business plan of March 2017. The same day, the Board of Directors of the airline, recognising the company's serious economic, capital and financial position, the lack of support of the shareholders and the impracticability of alternative solutions in the near term, decided to ask to enter extraordinary administration

proceedings, granted by Decree of the Minister for Economic Development. On 11 May 2017 the Court of Civitavecchia declared Alitalia SAI insolvent. On 5 July 2017 the Shareholders' Meeting of MidCo SpA, approved the financial statements for the financial year ended 31 December 2016, in which the shareholding in Alitalia SAI was entirely written off, resulting in a reduction in shareholders' equity by the amount needed to cover the conversion of the notes held by Poste Italiane into a financial instrument. Taking the above events into account, on 30 June 2017 the notes, booked for a total value of € 82 million at 31 December 2016 including interest earned, were written off entirely and the negative component of income, by its nature non-recurrent, was posted to financial charges.

### **Main events subsequent to 30 June 2017**

No further events of significance occurred after 30 June 2017 besides those described above.

### **Business outlook**

*Poste Group will be working throughout the second half of 2017 to draw up a new business plan designed to permit further balanced growth of the business, as well as continuing to pursue the country's path of innovation with particular attention to services for the Public Administration.*

*In the **Logistics-Postal** segment the Group will continue the restructuring process already begun in recent years through the use of new automation technologies to support the production process. The goal will be to raise the efficiency and quality of postal services through a synergic evolution of the logistics-production network valorising all available assets, as well as improving our competitive positioning in the Express Delivery and Parcels market.*

*With regard to **Financial Services**, 2017 will be, among other things, focused on our positioning in transaction banking, with particular focus on growth in receipts and payments, partly through the acquisition of the stake in SIA SpA.*

*Meanwhile the Group's efforts will be directed to the valorisation of the client base, through targeted products and services, a re-focus on Postal Savings, where work will continue to define the conditions of the agreement governing the provision of intermediation services in favour of CDP SpA, growth in the distribution of consumer credit products and consolidation of "digital banking" business as part of Poste Italiane's wider multichannel strategy.*

*In addition, we will continue to actively manage our portfolio of investments in light of the persisting volatility in international and national financial markets, with the aim of stabilising overall returns in terms of interest income and capital gains.*

*In the **Insurance and Asset Management Segment**, besides consolidating its leadership position in the Life market, the Group will work to extend the penetration of its Mutual Fund products and Class III policies, guaranteeing transparency and the maximum satisfaction of the needs of the clientele. We will also continue to grow the protection and welfare segment, partly by strengthening the integrated social security, health and social care model, exploiting Poste Group's assets and social vocation.*

*Regarding the partnership agreement between Poste Italiane SpA and Anima Holding, we will continue to work to develop all possible synergies between the Group's distribution capacity and the business know-how of the shareholding.*

*All of the above goals will be pursued reinforcing the Group's cash generation in order to maximise the total return for shareholders.*

\* \* \*

## **BOND ISSUES AND MATURING BONDS**

18 June 2018 is the expiry date of the bond loan issued by Poste Italiane on 18 June 2013 for a nominal value of € 750 million. At 30 June 2017 the loan bond was posted to Financial liabilities with a book value of € 750 million.

For completeness, we should also point out that in December 2018 two bond loans issued by Banca del Mezzogiorno-MedioCredito Centrale SpA will mature with a residual par value of € 103 million. At 30 June 2017 these bonds were posted to Liabilities related to assets held for sale, at a book value of € 104 million.

\* \* \*

*A conference call will be held at 6 p.m. today, 2 August 2017, in order to present the results for the first half of 2017 to financial analysts and institutional investors. Journalists will be able to listen to the call. Supporting material will be made available in the "Investors" section of the website [www.posteitaliane.it](http://www.posteitaliane.it) as the conference call begins.*

*Tables showing the results of the individual business units (before intersegment eliminations) are provided below, together with the period accounts (consolidated statement of financial position, consolidated statement of profit/loss for the period, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows).*

*A brief description of the "alternative performance indicators" used is also provided.*

*The manager responsible for financial reporting, Luciano Loiodice, pursuant to art. 154 bis, paragraph 2 of the Consolidated Law on Finance, declares that the accounting information contained in this release is consistent with the underlying documents, accounting books and records.*

\* \* \*

## **Condensed financial information on the operating segments.**

In compliance with the provisions of IFRS 8 – Operating Segments, an operating segment is a component of an entity: a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) and b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Following is the key financial information on the operating segments of Poste Italiane Group.

## **FINANCIAL SERVICES**

**Results (EUR/million):**

	First Half 2017	First Half 2016	Var.
Market revenues	2,840	2,830	0.4%
Intersegment revenues	301	280	7.5%
Total revenues	3,141	3,110	1.0%



Operating profit	390	485	-19.6%
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## **INSURANCE SERVICES AND ASSET MANAGEMENT**

Results (EUR/million):

	First Half 2017	First Half 2016	Var.
Market revenues	13,274	12,854	3.3%
Intersegment revenues	-	-	-
Total revenues	13,274	12,854	3.3%
Operating profit	370	270	37.0%

## **POSTAL AND BUSINESS SERVICES**

Results (EUR/million):

	First Half 2017	First Half 2016	Var.
Market revenues	1,812	1,884	-3.8%
Intersegment revenues	2,453	2,440	0.5%
Total revenues	4,265	4,324	-1.4%
Operating profit	75	74	1.4%

\* \* \*

## **ALTERNATIVE PERFORMANCE INDICATORS**

We report below the meaning and content of the “alternative performance indicators”, which are not required by IAS/IFRS but have been used in this release with a view to providing a clearer assessment of the Group’s operating performance and financial position.

**GROUP NET FINANCIAL POSITION:** the sum of financial liabilities, insurance technical provisions, financial assets, reinsurers’ share of technical provisions, BancoPosta cash and deposits and cash and cash equivalents. By effect of application of IFRS 5, net financial position does not include the financial assets and liabilities of Banca del Mezzogiorno-MedioCredito Centrale SpA and BancoPosta Fondi SpA SGR, classified under the item “Non-current assets and disposal groups held for sale and liabilities related to assets held for sale”.

**NET INDUSTRIAL FINANCIAL POSITION:** the sum of the net financial position of the Postal and Business Services segment and the net financial position of the Other Services segment, before adjusting for intersegment transactions.

**Breakdown of Net Financial Position (EUR/million):**

	Postal and Business Services	Financial Services	Insurance Services and Asset Management	Other Services	Eliminations	Consolidated
<b>Balance at 30 June 2017</b>						
Financial liabilities	(1,969)	(62,878)	(1,003)	(2)	1,337	(64,515)
Technical provisions for insurance business			(118,658)			(118,658)
Financial assets	963	61,208	119,482	44	(1,033)	180,664
Technical provisions attributable to reinsurers			75			75
Cash and deposits attributable to BancoPosta		3,236				3,236

Cash and cash equivalents	1,003	560	2,254	15	(351)	3,481
<b>Net financial position</b>	<b>(3)</b>	<b>2,126</b>	<b>2,150</b>	<b>57</b>	<b>(47)</b>	<b>4,283</b>
<b>Net industrial financial position</b>	<b>(3)</b>			<b>57</b>		<b>54</b>
<b>Balance at 31 December 2016</b>						
Financial liabilities	(1,947)	(59,225)	(1,012)	(2)	1,265	(60,921)
Technical provisions for insurance business			(113,678)			(113,678)
Financial assets	1,236	58,681	115,596	29	(1,180)	174,362
Technical provisions attributable to reinsurers			66			66
Cash and deposits attributable to BancoPosta		2,494				2,494
Cash and cash equivalents	1,556	1,320	1,324	21	(319)	3,902
<b>Net financial position</b>	<b>845</b>	<b>3,270</b>	<b>2,296</b>	<b>48</b>	<b>(234)</b>	<b>6,225</b>
<b>Net industrial financial position</b>	<b>845</b>			<b>48</b>		<b>893</b>

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# FINANCIAL STATEMENTS OF POSTE ITALIANE GROUP

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€m)

<b>ASSETS</b>	<b>at 30 June 2017</b>	<i>of which, related party transactions</i>	<b>at 31 December 2016</b>	<i>of which, related party transactions</i>
<b>Non-current assets</b>				
Property, plant and equipment	1,997	-	2,080	-
Investment property	54	-	56	-
Intangible assets	498	-	513	-
Investments accounted for using the equity method	499	499	218	218
Financial assets	163,051	2,052	155,819	2,059
Trade receivables	5	-	4	-
Deferred tax assets	911	-	799	-
Other receivables and assets	2,987	1	2,682	1
Technical provisions attributable to reinsurers	75	-	66	-
<b>Total</b>	<b>170,077</b>		<b>162,237</b>	
<b>Current assets</b>				
Inventories	137	-	137	-
Trade receivables	2,278	828	2,168	789
Current tax assets	189	-	15	-
Other receivables and assets	962	12	989	10
Financial assets	17,613	7,602	18,543	6,191
Cash and deposits attributable to BancoPosta	3,236	-	2,494	-
Cash and cash equivalents	3,481	549	3,902	1,310
<b>Total</b>	<b>27,896</b>		<b>28,248</b>	
<b>Non-current assets and disposal groups held for sale</b>	<b>2,591</b>	<b>55</b>	<b>2,720</b>	<b>49</b>
<b>TOTAL ASSETS</b>	<b>200,564</b>		<b>193,205</b>	
<b>LIABILITIES AND EQUITY</b>				
<b>Equity</b>				
Share capital	1,306	-	1,306	-
Reserves	1,517	-	2,374	-
Retained earnings	4,484	-	4,454	-
<b>Equity attributable to owners of the Parent</b>	<b>7,307</b>		<b>8,134</b>	
Equity attributable to non-controlling interests	-	-	-	-
<b>Total</b>	<b>7,307</b>		<b>8,134</b>	
<b>Non-current liabilities</b>				
Technical provisions for insurance business	118,658	-	113,678	-
Provisions for risks and charges	681	56	658	50
Employee termination benefits and pension plans	1,251	-	1,347	-
Financial liabilities	5,259	-	8,404	-
Deferred tax liabilities	508	-	746	-
Other liabilities	1,035	-	1,071	-
<b>Total</b>	<b>127,392</b>		<b>125,904</b>	
<b>Current liabilities</b>				
Provisions for risks and charges	936	11	849	10
Trade payables	1,403	202	1,506	205
Current tax liabilities	275	-	88	-
Other liabilities	1,911	132	2,147	89
Financial liabilities	59,256	86	52,517	2,430
<b>Total</b>	<b>63,781</b>		<b>57,107</b>	
<b>Liabilities related to assets held for sale</b>	<b>2,084</b>	<b>108</b>	<b>2,060</b>	<b>130</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>200,564</b>		<b>193,205</b>	

## CONSOLIDATED STATEMENT OF PROFIT/LOSS FOR THE PERIOD

(€m)

	For the six months ended 30 June 2017	<i>of which, related party transactions</i>	For the six months ended 30 June 2016	<i>of which, related party transactions</i>
Revenue from sales and services	4,237	1,093	4,316	1,122
Insurance premium revenue	11,098	-	10,551	-
Other income from financial and insurance activities <i>of which, non-recurring income</i>	2,665 -	8	2,781 121	8
Other operating income	29	2	34	1
<b>Total revenue</b>	<b>18,029</b>		<b>17,682</b>	
Cost of goods and services	1,197	97	1,215	77
Net change in technical provisions for insurance business and other claims expenses	12,171	-	11,944	-
Other expenses from financial and insurance activities	380	-	309	-
Personnel expenses	2,934	18	2,985	20
Depreciation, amortisation and impairments	281	-	299	-
Capitalised costs and expenses	(13)	-	(8)	-
Other operating costs	232	10	95	6
<b>Operating profit/(loss)</b>	<b>847</b>		<b>843</b>	
Finance costs <i>of which, non-recurring costs</i>	142 82	-	48 -	-
Finance income <i>of which, non-recurring income</i>	58 2	-	57 -	-
Profit/(Loss) on investments accounted for using the equity method	9	-	6	-
<b>Profit/(Loss) before tax</b>	<b>772</b>		<b>858</b>	
Income tax expense <i>of which, non-recurring costs/(income)</i>	262 (9)	-	293 -	-
<b>PROFIT FOR THE PERIOD</b>	<b>510</b>		<b>565</b>	
of which, attributable to owners of the Parent	510		565	
of which, attributable to non-controlling interests	-		-	
<b>Earnings per share</b>	<b>0.391</b>		<b>0.432</b>	
<b>Diluted earnings per share</b>	<b>0.391</b>		<b>0.432</b>	

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)

	For the six months ended 30 June 2017	For the year ended 31 December 2016	For the six months ended 30 June 2016
<b>Profit/(Loss) for the period</b>	<b>510</b>	<b>622</b>	<b>565</b>
<b>Items to be reclassified in the Statement of profit or loss for the period</b>			
Available-for-sale financial assets			
Increase/(decrease) in fair value during the period	(591)	(1,673)	(942)
Transfers to profit or loss	(596)	(592)	(482)
Cash flow hedges			
Increase/(decrease) in fair value during the period	(18)	(15)	47
Transfers to profit or loss	(1)	(22)	(21)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the period	350	627	364
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-
After-tax increase/(decrease) in reserves related to group of assets and liabilities held for sale	(1)	-	-
<b>Items not to be reclassified in the Statement of profit or loss for the period</b>			
Actuarial gains/(losses) on provisions for employee termination benefits and pension plans	41	(51)	(126)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the period	(12)	18	38
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-
<b>Total other comprehensive income</b>	<b>(828)</b>	<b>(1,708)</b>	<b>(1,122)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(318)</b>	<b>(1,086)</b>	<b>(557)</b>
of which, attributable to owners of the Parent	(318)	(1,086)	(557)
of which, attributable to non-controlling interests	-	-	-

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€m)

	Equity										
	Share capital	Reserves					Reserve for investees accounted for using equity method	Retained earnings / (Accumulated losses)	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
Legal reserve		BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Reserves related to disposal groups and liabilities held for sale						
<b>Balance at 1 January 2016</b>	1,306	299	1,000	2,739	9	-	-	4,305	9,658	-	9,658
Total comprehensive income for the period	-	-	-	(1,052)	18	-	-	477	(557)	-	(557)
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(444)	(444)	-	(444)
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	1	-	1	-	1
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-
Other shareholder transactions	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	1,306	299	1,000	1,687	27	-	1	4,338	8,658	-	8,658
Total comprehensive income for the period	-	-	-	(596)	(45)	-	-	112	(529)	-	(529)
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	1	-	1	-	1
Reclassifications to reserves related to disposal groups and liabilities held for sale	-	-	-	1	-	(1)	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-
Other shareholder transactions	-	-	-	-	-	-	-	4	4	-	4
Amount due from MEF following cancellation of EC Decision of 16 July 2008	-	-	-	-	-	-	-	6	6	-	6
Taxation	-	-	-	-	-	-	-	(2)	(2)	-	(2)
<b>Balance at 31 December 2016</b>	1,306	299	1,000	1,092	(18)	(1)	2	4,454	8,134	-	8,134
Total comprehensive income for the period	-	-	-	(843)	(13)	(1)	-	539 (*)	(318)	-	(318)
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(509)	(509)	-	(509)
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-
Other shareholder transactions	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2017</b>	1,306	299	1,000	249	(31)	(2)	2	4,484	7,307	-	7,307

(\*) This item includes profit for the period of €510 million and actuarial gains on provisions for employee termination benefits of €41 million after the related tax effect of €12 million

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€m)

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
<b>Unrestricted net cash and cash equivalents at beginning of period</b>	<b>2,292</b>	<b>1,783</b>
Cash subject to investment restrictions	780	1
Cash attributable to technical provisions for insurance business	799	1,324
Amounts that cannot be drawn on due to court rulings	12	11
Current account overdrafts	2	5
Cash received on delivery (restricted) and other restrictions	17	18
<b>Cash and cash equivalents at beginning of period</b>	<b>3,902</b>	<b>3,142</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,902</b>	<b>3,142</b>
Profit/(loss) for the period	510	565
Depreciation, amortisation and impairments	281	299
Losses and impairments/(recoveries) on receivables	22	18
(Gains)/Losses on disposals	(1)	1
Impairment of disposal groups	7	-
Impairment of available for sale investments	12	-
Impairment of Contingent Convertible Notes	82	-
(Increase)/decrease in inventories	-	(3)
(Increase)/decrease in receivables and other assets	(452)	(397)
Increase/(decrease) in payables and other liabilities	(379)	(63)
Movement in group of assets and liabilities held for sale	145	-
Movement in provisions for risks and charges	114	(27)
Movement in provisions for employee termination benefits and pension plans	(55)	(30)
Differences in accrued finance costs and income (cash correction)	(22)	(29)
Other changes	(12)	8
<b>Net cash flow generated by/(used in) non-financial operating activities</b> [a]	<b>252</b>	<b>342</b>
Increase/(decrease) in liabilities attributable to financial activities	4,149	4,321
Net cash generated by/(used for) held for trading financial assets attributable to financial activities	-	-
Net cash generated by/(used for) available-for-sale financial assets attributable to financial activities	(1,607)	(2,751)
Net cash generated by/(used for) held-to-maturity financial assets attributable to financial activities	(211)	103
(Increase)/decrease in cash and deposits attributable to BancoPosta	(742)	605
(Increase)/decrease in other assets attributable to financial activities	(1,348)	(1,054)
(Income)/expenses from financial activities	(1,039)	(999)
<b>Cash generated by/(used for) assets and liabilities attributable to financial activities</b> [b]	<b>(798)</b>	<b>225</b>
Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities	(2,481)	(2,348)
Increase/(decrease) in net technical provisions for insurance business	6,827	7,662
Net cash generated by/(used for) available-for-sale financial assets attributable to insurance activities	(1,936)	(4,592)
(Increase)/decrease in other assets attributable to insurance activities	(48)	(5)
(Gains)/losses on financial assets/liabilities measured at fair value	(363)	(710)
(Income)/expenses from insurance activities	(973)	(866)
<b>Cash generated by/(used for) assets and liabilities attributable to insurance activities</b> [c]	<b>1,026</b>	<b>(859)</b>
<b>Net cash flow from/(for) operating activities</b> [d]=[a+b+c]	<b>480</b>	<b>(292)</b>
- of which, related party transactions	<b>(3,826)</b>	<b>379</b>
<i>Investing activities</i>		
Property, plant and equipment, investment property and intangible assets	(183)	(151)
Investments	(228)	-
Other financial assets	(1)	(106)
<i>Disposals</i>		
Property, plant and equipment, investment property and intangible assets and assets held for sale	3	5
Investments	-	-
Other financial assets	5	100
Change in scope of consolidation	-	-
<b>Net cash flow from/(for) investing activities</b> [e]	<b>(404)</b>	<b>(152)</b>
- of which, related party transactions	<b>(218)</b>	<b>(9)</b>
Proceeds from/(Repayments of) borrowings	11	(513)
(Increase)/decrease in loans and receivables	1	2
Dividends paid	(509)	(444)
<b>Net cash flow from/(for) financing activities and shareholder transactions</b> [f]	<b>(497)</b>	<b>(955)</b>
- of which, related party transactions	<b>(327)</b>	<b>(286)</b>
<b>Net increase/(decrease) in cash</b> [g]=[d+e+f]	<b>(421)</b>	<b>(1,399)</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,481</b>	<b>1,743</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,481</b>	<b>1,743</b>
Cash subject to investment restrictions	-	(202)
Cash attributable to technical provisions for insurance business	(1,806)	(487)
Amounts that cannot be drawn on due to court rulings	(13)	(20)
Current account overdrafts	-	(6)
Cash received on delivery (restricted) and other restrictions	(24)	(10)
<b>Unrestricted net cash and cash equivalents at end of period</b>	<b>1,638</b>	<b>1,018</b>

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